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E.O. 11652: GDS

TAGS: BDIS, EMIN, PE

SUBJ: STATUS OF MARCONA MINING CORPORATION NEGOTIATIONS WITH GOP

REF: CHENEY-EAST MEMCON OF NOVEMBER 27, 1974

SUMMARY: LOCAL MARCONA MANAGER INFORMS US THAT GOP IS FAVORABLY DISPOSED TOWARD SETTLEMENT OF MARCONA STATUS WITH GOP BUYING OUT MARCONA ASSETS AND OFFERING MARCONA TEN-YEAR MANAGEMENT CONTRACT IN RETURN, PLUS EXPANSION OF IRON ORE PELLET PLANT WITH JAPANESE FINANCING. BASIC AGREEMENT IN PRINCIPLE REACHED BETWEEN MINES MINISTER AND CHARLES ROBINSON SEVERAL MONTHS AGO IS NOW BEING STUDIED BY GOP COMMISSION. LOCAL MARCONA MANAGER BELIEVES COMMISSION, ALTHOUGH MEMBERS ARE LEFT OF CENTER POLITICALLY, WILL EVENTUALLY ACCEPT OPTION OF MANAGEMENT CONTRACT. MEANWHILE, IN RESPONSE TO NOVEMBER 29 STATEMENT TO U.S. PRESS BY MARCONA VICE PRESIDENT FURTH THAT MARCONA HAS PRESENTED BUY-OUT OPTION TO GOP, MINES MINISTER HAS STATED THAT GOP IS STUDYING PROPOSAL CAREFULLY, BUT MINISTER DID NOT INDICATE HOW GOP MIGHT ULTIMATELY DECIDE MATTER. END SUMMARY.

1. LIMA PRESS ON NOVEMBER 30 CARRIED AP STORY OF NOVEMBER 29 FROM NEW YORK QUOTING A WALL STREET JOURNAL
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INTERVIEW OF NOVEMBER 29 WITH GORDON FURTH, EXECUTIVE

VICE PRESIDENT OF MARCONA MINING CORPORATION, ANNOUNCING PUBLICLY THAT MARCONA HAS UNDERTAKEN CONVERSATIONS WITH GOP IN REGARD TO ITS FUTURE STATUS IN PERU. ACCORDING TO AP STORY, FURTH STATED THAT MARCONA CONTRACT ENDS IN 1982 AND THAT "IT IS CLEARLY A QUESTION OF COMMON INTEREST TO HAVE DISCUSSIONS (BETWEEN THE TWO SIDES) IN REGARD TO FUTURE PLANS ..." DISCUSSIONS COULD CONCLUDE WITH THE SALE OF MARCONA PROPERTIES TO THE GOP, POSSIBLY BY THE END OF THE YEAR. STORY AS PRESENTED HERE STATED THAT FURTH NOTED THAT GOP HAS NOT REPEAT NOT ISSUED ANY "WARNING" THAT THERE IS AN INTENTION ON PART OF GOP TO EXPROPRIATE THE COMPANY, BUT RATHER THAT "WE HAVE DISCUSSED VARIOUS OPTIONS AND IT IS POSSIBLE THAT WE WILL AGREE ON A PROGRAM TO ACCELERATE THE TURNING OVER OF MARCONA PLANTS TO THE GOVERNMENT."

2. FOLLOWING DAY, DECEMBER 1, "LA PENSA" CARRIED STORY GENERATED BY FURTH ARTICLE, QUOTING MINES MINISTER FERNANDEZ MALDONADO TO EFFECT THAT GOP HAS INDEED RECEIVED A PROPOSAL FROM MARCONA, BUT THAT THE MINISTER WAS NOT AWARE OF THE DETAILS. THE MINISTER THEN SAID THAT "THE PROPOSAL MUST BE ANALYZED, BUT I CANNOT INDICATE A TIME FRAME BECAUSE I AM OPPOSED (TO SETTING A SPECIFIC TIME LIMIT)."

3. FURTHER, IN DISCUSSIONS WITH EMBASSY OFFICERS, ENRIQUE EAST, MANAGING DIRECTOR OF MARCONA (SEE REF), HAS MAINTAINED THAT GOP IS FAVORABLY DISPOSED TOWARD NEGOTIATING AN AGREEMENT WITH MARCONA UNDER WHICH THE COMPANY WOULD MAKE AVAILABLE ITS NET ASSETS TO GOP; IN RETURN, MARCONA WOULD RECEIVE A MANAGEMENT CONTRACT FOR TEN YEARS AND BE AUTHORIZED TO EXPAND THE PELLET PLANT IN COLLABORATION WITH THE JAPANESE. GENERAL OUTLINE OF THIS PROPOSAL WAS AGREED TO EARLIER THIS YEAR IN SAN FRANCISCO BETWEEN FERNANDEZ MALDONADO AND CHARLES ROBINSON. EAST NOTED THAT GOP HAS NOW ESTABLISHED A NEW COMMISSION WHOSE MEMBERSHIP, WHILE CERTAINLY NOT, GENERALLY DISPOSED TOWARD PRIVATE OWNERSHIP OF NATURAL RESOURCES (SEE REF), WILL EVENTUALLY SETTLE ON MANAGEMENT CONTRACT OPTION AS BEST CHOICE FOR GOP.

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4. IN ADDITION TO FOREGOING, MARCONA UNIONS, WHICH ARE ALREADY DISTURBED BY FAILURE OF MARCONA TO DECLARE PROFITS FOR 1973 HAVE, IN RECENT WEEKS, INTENSIFIED PRESS CAMPAIGN WITH ADS IN LOCAL PRESS ACCUSING MARCONA OF FALSIFYING ITS BOOKS IN ORDER TO AVOID PAYMENT OF BENEFITS DUE TO WORKERS.

5. COMMENT: ON BALANCE, WE ARE INCLINED TO ACCEPT EAST'S

OPTIMISM SINCE: 1) GOP IS AWARE THAT JAPANESE ARE
RELUCTANT TO FINANCE PELLET PLANT EXPANSION WITHOUT MARCONA
ACQUIESCENCE; AND 2) SHIPMENT OF ORE WOULD BE DEPENDENT ON
MARCONA SHIPPING FLEET FOR WHICH THERE IS NOT READILY
AVAILABLE SUBSTITUTE. OF COURSE, SUCH RADICAL AGREEMENTS
DO NOT ALWAYS CARRY THE DAY IN "REVOLUTIONARY PERU," BUT
WE BELIEVE THE MANAGEMENT CONTRACT PACKAGE, WHICH WOULD
ALLOW THE GOP TO CLAIM RECOVERY OF "NATURAL RESOURCES"
WHILE OFFERING ACCEPTABLE ALTERNATIVES TO MARCONA AND
JAPANESE, HAS A BETTER THAN EVEN CHANCE OF ACCEPTANCE.
DEAN

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